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DAILY DIGEST OF SIGNIFICANT TRAFFIC

Date: MAR 16 1951

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 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

NAVY and DOS review(s) completed.

TOP SECRET

SECTION 1 (SOVIET)

"B" USSR. Farm Machine Chief Replaced in Russia. Moscow radio announced on 15 March that the Supreme Soviet of the USSR had "released" P. N. Goremykin from his post as Soviet Minister of Agriculture Machine Building. G. M. Popov was appointed to replace him. COMMENT: Popov succeeded Shcherbakov as head of the Moscow Party Organization from 1945-1949. Toward the end of 1949, he was relieved of his party duties and was made Minister of City Construction. Popov's party duties were taken over by Khrushchev.

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"B" Effort to Heighten Growing Arab Reaction Seen in First Soviet Comment on Morocco. Soviet propaganda exploitation of the explosive Moroccan situation commenced this week in the USSR press and radio. Along with the expected praise for the Moroccan "liberation movement", there was much emphasis aimed at blaming the "French outrages" on the US and projecting events as part of the "aggressive" US policy of turning the Near East into a springboard for war. COMMENT: Overt Soviet exploitation of the latest unsettling developments in the Near East has not been conspicuous to date inasmuch as political conditions are seemingly progressing to their satisfaction. The Moroccan situation has had such an unfavorable effect on Arab opinion towards the West, that the USSR is taking advantage of the ideal opportunity to add credibility to their propaganda theme that the US is subjugating the Near East for aggressive, imperialistic ends. While there has been no Soviet comment to date on the recent troubles in Iran, Syria, and Pakistan, it can be expected that as these situations begin to calm down, Communist activity will make efforts to influence attitudes and prolong events that are advantageous to the USSR.

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"C" Stalin Prizes Awarded for Achievements "In the Field of War Equipment" and Atomic Energy Research were announced in the Soviet press on 15 March. One of the principal prizes went to Prof. Dmitri Skobel'tzyn, atomic physicist of Moscow University, who was awarded 200,000 rubles for "discovery and study of the electron nuclear showers and nuclear-cascade process in cosmic rays." COMMENT: Accompanying Soviet propaganda and two of the awards emphasized current USSR-"peace" and anti-US lines. Although many of the prizes went for military weapons research, Soviet scientific work was said to "emphasize the peaceful progress in the USSR." Prizes were also awarded for two books entitled: "War Finances of the Capitalist States," and "United States - Active Organizer and Participant in War Intervention Against Soviet Russia, 1918-20." Emphasis on Soviet "strides" in atomic energy research seems to denote definite efforts to counter orbital fear of US atomic progress.

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"A" EASTERN EUROPE. RUMANIA. Snagov Meeting Probably Over. Removal of travel restrictions on diplomatic cars traveling northward from Bucharest on 12 March suggests that the reported secret high level meeting at Snagov has ended. [REDACTED]

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"A" YUGOSLAVIA. Yugoslavs Contemplate No Immediate Use of White Paper in UN. According to a Yugoslav UN delegate, Djuro Nincic, no special developments in the Balkans precipitated the distribution of the Yugoslav White Paper and no immediate use of the document in the UN is contemplated. His Government estimates that Bulgaria, Hungary and Rumania are still not strong enough to launch an attack. Nincic stressed, however, that the Yugoslav Government expects this spring to be very critical and that if the satellite threat grows, Yugoslavia may yet raise the question in the UN. He added that if the subject of Satellite rearmament was not placed on a forthcoming CFM agenda Yugoslavia might place the question on the Fall 1951 General Assembly agenda. He also admitted that the Yugoslav estimate that Soviet aggression is more likely against West Germany than Yugoslavia was not dogmatic and open to reversal. [REDACTED] COMMENT: Nincic's statement marks the first time that a Yugoslav official has indicated that his Government is not convinced an attack on West Germany is more likely than Yugoslavia.

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TOP SECRET

SECTION 2 (EASTERN)

"B" IRAN. Lower House Approves Recommendation to Nationalize Oil Industry. The Lower house of the Iranian Parliament on 15 March approved the Parliamentary Oil Commission's recent recommendation for the nationalization of Iran's oil resources, including the huge UK-owned Anglo-Iranian Oil Company. The measure is still nominally subject to approval by the Senate and endorsement by the Shah. [REDACTED] COMMENT: It was generally believed that the Iranian Parliament would pass the bill to nationalize Iran's oil industry if it were voted upon immediately. [REDACTED]

[REDACTED] No statement has yet been reported as to exactly what "nationalization" would entail, and most responsible Iranians agree that Iran is not capable of actually running the oil industry. In the present temper of Iranian feeling, however, there is no guarantee that these considerations will prevent the Government from attempting to implement the measure, although the parliamentary oil committee has been authorized to give the problem two months' further study. The UK Government is pledged to fight the nationalization of AIOC's holdings and can be expected to protest vigorously any move to destroy a substantial British economic interest or to endanger one of Britain's major sources of sterling oil. However, the only probable way Britain might prevent this outcome would be for the AIOC, either on its own initiative or as a result of UK Government pressure, to offer Iran economically more favorable terms than it already has, with the idea of persuading the Iranian Government to suspend actual implementation of nationalization measures for an indefinite period.

"B" INDOCHINA. Saigon editorial has anti-Bao Dai, anti-French tone. An editorial entitled "Republic or Monarchy" in Echo du Vietnam, Indochina's leading Vietnamese-owned French-language daily, contains (1) a veiled attack on Bao Dai and the Monarchy, and (2) indirect criticism of French meddling in Vietnamese politics. The editorial pays tribute to Bao Dai but states that his popularity derives not from his "former" title of Emperor but from his abdication in 1945, and refers to the "too visible desire on the part of France" to make Bao Dai its creature. General De Lattre told Minister Heath that he had protested to Premier Tran Van Huu about this editorial and that he had told Huu that the creation of controversies of this sort "must not occur". Huu denied any foreknowledge of the editorial. [REDACTED]

COMMENT: Huu's increasing control over the Saigon press has been evident for some time. Whether or not the editorial in question was initiated by the editors of the Echo (republican sentiment is strong in almost all circles of Cochinchina), it is certain that it could not have been published without Huu's complicity. The action indicates that the rift between Huu and Bao Dai has not been healed, and that Huu is attempting, simultaneously, to undermine the position of Bao Dai and to increase his

TOP SECRET

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own popularity by criticism of the French. It is not clear whether discussion of the republican issue reflects a real effort to bring about the formation of a Republic. Huu's willingness to run the risk of French disapproval is probably based on previous French backing in Huu's "civil war" with Bao Dai's Imperial Cabinet, and his apparent conviction that the French have no alternative but to continue to back the relatively pro-French faction of Vietnamese which Huu leads. Meanwhile, it is significant that De Lattre's own version of his conversation with Huu shows his readiness to intervene in Vietnamese domestic politics.

"A" MALAYA. UK Attitude on Peiping's visa request. The UK Foreign Office does not plan to reply to Peiping's recent telegram, demanding visas for a committee wishing to investigate the "persecution" of Overseas Chinese in Malaya. If the Chinese Communists raise the issue again, the Foreign Office will flatly state that Peiping's telegram is the "height of insolence." As a consequence of the Peiping Government's refusal to accept further shipments of Chinese deportees from Malaya, the Colonial Office plans to send them to a British island off North Borneo, despite the realization that this drastic program affords additional propaganda for the Communists.

25X1 [REDACTED] COMMENT: Peiping's propaganda will of course regard the British refusal as confirmation of its charges of "persecution," and cite the Borneo deportation program as an especially outrageous example. Although the continued absence of diplomatic relations between Peiping and the UK deprives Communist China of any legal basis for its protests, Peiping is expected to remain intransigent in negotiations.

"B" INDONESIA. Soekarno will include PNI in possible new Cabinet. President Soekarno stated to US Ambassador Cochran on 14 March that, should the present Government fall, he expects to call on the Masjumi and the leftist-inclined Indonesian National Party (PNI) jointly to form a new Government. Soekarno assured Cochran that participation of the PNI would not force Indonesia towards the left nor lessen the nation's friendly attitude toward the US. He admitted that the PNI favored dissolution of the Netherlands-Indonesian Union, but said he was uncertain whether a majority in Parliament would favor such action. Soekarno insisted that Indonesia still desires US friendship and support - provided there is no great publicity or flag-waving and provided "sympathetic Americans in modest numbers" participate in aid programs. [REDACTED]

25X1. [REDACTED] COMMENT: The current coalition cabinet under Premier Natsir of the Masjumi (Moslem) Party has been shaky almost since the time of its formation in September 1950, largely as a result of PNI tactics. Partly because of internal political tension, Indonesia has rigidly followed an external policy of strict neutrality in the cold war, which has resulted in a course less friendly to the US than had been anticipated when Indonesia received its independence in December 1949. PNI inclusion in the Government would probably result in a worsening of US-Indonesian relations.

TOP SECRET

TOP SECRET

"C" CHINA. Anti-guerrilla operations in Kwangsi. The Chinese Communist radio alleges that 16,000 "local bandits" have been wiped out in the Yao Shan area of Kwangsi in recent months, and that no bandit groups of more than 10 members are now active in the area. The broadcast admits, however, that mopping-up operations continue. [REDACTED] COMMENT:

[REDACTED] Kwangsi is currently the most active guerrilla area in Communist China; the Peiping regime publicly admitted, in February, that more than 3000 of its civil servants--exclusive of military personnel--had been murdered by anti-Communist forces in Kwangsi. The Communist claim of 16,000 "bandit" casualties may be true, but it is extremely doubtful that the guerrilla threat in this area has been liquidated. Anti-Communist forces are expected to be able to operate in the Yao mountains indefinitely.

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"C" JAPAN. Yoshida Suggests Revision of Occupation Reforms. Prime Minister Yoshida stated before the Upper House Budget Committee on 15 March that, when Japan has become an independent nation, those laws which were needed under the Occupation but have become unnecessary or unfit to a post-treaty Japan should be revised or abolished. [REDACTED] COMMENT: The Japanese Government already has under consideration proposals which would modify anti-cartel laws, police decentralization, and restrictions on the Labor Ministry and Attorney-General's office - all affecting Occupation reforms. Further trends toward a return to the "Japanese way" noted during the past week were (1) Yoshida's proposal for revival of Kigensetsu (the nation's mythical birthday) and (2) Education Minister Amano's comment that demand for secret showings of banned militaristic films have been stimulated by the Korean war and rearmament discussion.

TOP SECRET

"C" JAPAN. Cabinet official denies decision to ban Reds. JIJI Press reports that the Japanese Chief Cabinet Secretary, OKAZAKI, advised a news conference on 16 March that the Japanese Government has not formally decided on a policy of outlawing the Japanese Communist Party but will be guided by the Party's future moves. He admitted that the Liberal Party, the Government Party, and the Attorney General's Office are studying the problem presently. COMMENT: The Japanese Government has been studying the problem of outlawing the Communists for several months. Even though CENTRAL NEWS, sometimes untrustworthy, reports such a Cabinet decision, it is felt that the Government will not immediately outlaw the Communist Party in view of the probable inadequacy of the Japanese police to control a Party gone completely underground, and the unfavorable public opinion which would be created in many other countries, both Communist and Western.

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TOP SECRET

TOP SECRET

SECTION 3 (WESTERN)

- "B" WESTERN EUROPE. German Decision Paves Way for initialing of Schuman Plan. The Schuman Plan treaty may be initialed tomorrow (17 March) in view of Chancellor Konrad Adenauer's announcement yesterday that his Government had decided to accept a US-French compromise proposal on decartelization. Adenauer's decision was based on a desire to prove that the west Germans were ready to undertake a major cooperative effort in an alliance with the West, even before their own demands were satisfied. [REDACTED] COMMENT: A few basic and technical questions remain to be discussed at a meeting of the six Foreign Ministers. Indications have been growing that the Treaty will meet serious opposition at least in Germany and France when it is submitted to the Parliaments for ratification.
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- "C" GERMANY. Reported Soviet Support of New Party. The recently founded German Social Party (DSP) is evidencing possession of large amounts of money, with which it is attempting to spread its organization from Lower Saxony to other west German Laender. From fragmentary intelligence reports and the DSP's anti-West nationalist-unity tendencies, US officials in Germany believe the whole movement is being supported by the USSR. The DSP, in attempts to bring together other rightist elements including the Bruederschaft, has so far met with little success, and has no apparent popular appeal. [REDACTED]
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- 25X1 [REDACTED] COMMENT: The DSP was founded in January 1951 by Guenther Gereke, a leading Christian Democratic politician and Lower Saxony Cabinet member until June 1950 when he was expelled from the party and Cabinet because of his collaboration with east German authorities. His continued crusade to "build a bridge" between east and west Germany, with support from neutralist and refugee circles, makes it very possible that Gereke has accepted financial aid for the DSP from east German emmissaries. While his latest venture as yet poses no major threat, it is symptomatic of the vulnerability of many otherwise respectable west German politicians to Soviet overtures.
- "A" FRANCE. Paris Transit Workers Call Unlimited Strike. An "unlimited" strike of Paris bus and subway workers, in which all major labor unions are participating, began 15 March. The Communist-led CGT is endeavoring to spread the strike to suburban areas and to convert it to political purposes. The Communist Party hopes strike demonstrations will reach proportions embarrassing to the meeting of the Foreign Ministers' deputies. [REDACTED] COMMENT: This is the first instance in almost a year in which there has been unity of action by major unions in calling an "unlimited" strike. The unusually good cooperation obtained by these unions in a 24-hour warning transit strike on 26 February encouraged the leadership to unite in
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TOP SECRET

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this serious effort. Although French labor has had disappointing results from strikes in recent years, current inflation will abet efforts to force wage concessions from the Government.

"B" FRANCE. Communists Use Housing Shortage to Condemn "War" Effort.
The Communist group in the National Assembly has introduced a bill to raise 1951 appropriations for low-rent housing from 34 to 100 billion francs. The Communist argument is that if the "war" budget were not so high, "works of life and not works of death" could be constructed. [REDACTED] COMMENT: The need in France for a major expansion of low-rent housing construction is urgent. By demanding a huge increase in the Government's program, the Communists hope to gain widespread popular support. Throughout this election year, in the face of the Government's continuing crack-down on Communists and the efforts of all their opponents to revise the electoral system in order to cut down Communist representation, the Communists will make the most of every popular and local issue in an effort to maintain their position as a powerful opposition party in the National Assembly. The continuous Communist criticism of defense expenditures will be assisted by the decline in real wages resulting from the steady inflation.

25X1 "B" ITALY. Italy and Yugoslavia Increasingly Cognizant of Mutual Defense Needs. According to the London press, the Italian Minister to Yugoslavia has informed Tito that his Government is closely following the progressive rearmament of eastern European Soviet satellites and the consequent disturbance of the military and political balance and is in contact with the Allied governments on this question. Tito replied that he received this statement with pleasure because it showed an identity of views on the question of preserving peace in that part of the world. [REDACTED] COMMENT: The statements of the Italian Minister and Tito are indicative of the distinct improvement in Italo-Yugoslav relations that has become increasingly apparent in recent months. The Italian demarche and Tito's reply suggest that the two governments are tending to see eye to eye on questions relating to mutual security. The Italian Minister's reference to Soviet satellite rearmament and the Italian peace treaty reflects current efforts by the Italian Government to enlist Yugoslav support for a revision of this treaty's military clauses.

"B" Italians Balk at Further Defense Effort. US NATO officials are informing their Italian counterparts of their disappointment that the additional \$400 million defense budget recently approved by the Italian Parliament is to be spread over an 18-month period. Such an effort will not justify maximum application of tentative US aid (\$375 million over an 18-month period). US officials have suggested further that the Italian Government strengthen its economic and

TOP SECRET

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political backing for a greater defense effort, improve military training, and increase the term of military service from 15 to 18 months.

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[REDACTED] COMMENT: Because of unsettled political conditions (impending Cabinet reshuffle, municipal elections) and considerable opposition to the economic controls program, it is unlikely that the Government will propose any new defense expenditures at this time. Italian officials point out that in order to justify greater defense expenditures, Italy must be given greater equality with other NATO countries and must be assured adequate raw material supplies. It is probable, however, that on purely military matters, i.e. lengthening of military service and improving training, Italy's performance will become increasingly satisfactory.

"B" NORWAY. Reluctance to Embargo Aluminum to Soviet Bloc. The Norwegian Foreign Office believes that any embargo on aluminum to Eastern Europe would cause a complete breakdown of Norway's trade with the Soviet bloc, since trade agreements with these countries have been contingent upon aluminum deliveries. The embargo would violate existing agreements, would probably cause critical shortages of wheat, sugar and coal which Norway receives in exchange, and might precipitate a Soviet demand for dollar or gold settlement of the Norwegian 38 million kroner debt. Coincidentally Norwegian Commerce officials believe, on the basis of unofficial overtures, that it might now be possible to obtain substantial amounts (30,000 tons) of manganese from the USSR if Norway could increase deliveries of aluminum to 10,000 tons.

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[REDACTED] COMMENT: A breakdown of trade with the Soviet bloc would have severe political and economic repercussions in Norway and increased dollar aid would be required. Pending multilateral agreement on the embargo, the Norwegians will not proceed to explore a manganese-aluminum exchange with the USSR without the approval of the US. Since the USSR produces sufficient aluminum for all its needs and is known to be stockpiling at least 50,000 tons a year, interest in Norwegian aluminum may be primarily due to a desire to break down Western controls on strategic materials.

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OFFICE OF CURRENT INTELLIGENCE
DAILY SUMMARY

16 March 1951

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DEPUTY FOREIGN MINISTERS' CONFERENCE

25X1 "B" Trygve Lie Seeks Injection of Korea Issue. According to the chief of the French delegation, Trygve Lie has approached the French alternate on the UN Security Council, at Lake Success, urging that the chiefs of the Western delegations at the current conference discuss with Gromyko a possible settlement of the Korean conflict. The reaction of the chiefs of the British and French delegations was negative. [REDACTED] COMMENT: This suggestion is consistent with Trygve Lie's periodic efforts to relieve East-West tension. There is no evidence to indicate that the British or the French Foreign Office would favor such a move at this time. The USSR's position has been that Communist China must be represented in any discussion of Far Eastern matters.

SECTION 2 (EASTERN)

25X1 "B" PHILIPPINES. Possible Removal of Defense Secretary. Ambassador Cowen reports that Defense Secretary Magsaysay, upon whom the Embassy largely bases its hope that the Philippine Government may hold its own against deterioration, may soon be removed from office. Cowen states that some of Magsaysay's enemies have started the vicious rumor that he plans to stage an anti-Quirino coup (at US instigation according to one version) and that President Quirino probably believes the rumor. The Embassy believes Magsaysay's removal from office would be "most lamentable" but fears that Quirino's suspicion of Embassy involvement in coup plans will prevent its effective intercession. Accordingly, the Embassy requests the Department to obtain the views of Foreign Secretary and UN Representative Romulo (now in the US) to assist in finding a way out of the dilemma. [REDACTED] COMMENT: It is unlikely that the Defense Secretary is planning a coup but quite possible that Quirino believes Magsaysay is plotting against him with the connivance of US officials.

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